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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

YUGOSLAV-SOVIET RELATIONS DETERIORATE

Developments at the Yugoslav party congress, the program for which had been sharply criticized by the USSR, appear to be leading to a severe deterioration in Yugoslav-Soviet relations, more serious than any since the death of Stalin. The Yugoslav Communists have refused to change their program enough to overcome the Soviet party's objections to it and the stalemate is likely to cause a steady degeneration of state relations.

The program for the Yugoslav congress presented the USSR with a challenge it could not ignore. The condemnation by the Soviet theoretical journal Kommunist on 19 April was the most forceful declaration that Tito must change his ways to appear since Stalin expelled him from the Cominform in 1948. Moscow apparently could not tolerate such "heretical" doctrines which threaten the ideological basis of Soviet control over the Communist world.

The USSR probably first sought to persuade the Yugoslavs to modify their party platform. There was one meeting for that purpose, between Khrushchev and Yugoslav Ambassador Micunovic on 15 April, and there may have been others. The few changes Belgrade was apparently willing to make, however, were limited to foreign policy questions, on which Yugoslavia could afford to be flexible. Even as modified, the Yugoslav program was unacceptable to Moscow.

The Soviet decision to boycott Tito until he has con-

formed to the pattern which Moscow considers acceptable--submission to Soviet leadership--apparently only encouraged the Yugoslavs in their "heresy." Remarks at the congress asserting Yugoslav independence received the greatest acclaim.

The speech of one of Tito's top lieutenants, Rankovic, was far more severe than the moderate criticism of the USSR in Tito's opening address to the congress. Rankovic dispelled any thoughts that the Yugoslavs fear a resumption of sharp polemics with the USSR when he declared that "very responsible people, who are our neighbors... are again sharpening the old and rusty weapons of the Cominform." Indirectly slapping the USSR, he condemned "the country" which makes it its task to interfere in the internal affairs of Yugoslavia.

Yugoslavia's top ideologist, Eduard Kardelj, has given further indication that the Yugoslavs will not be badgered into line by Soviet threats to read them out of the Communist world. Discarding the prepared version of his speech before the Yugoslav congress, Kardelj declared, "We do not need a Marx-and-Lenin certificate issued by others" to practice Communism.

Apparently anticipating the serious future implications of the ideological dispute, the Yugoslavs have indicated a renewed interest in revitalizing ties with the West. They have continued to be sharply critical of many Western positions, but have in recent speeches attempted to balance more evenly

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their pro-Soviet foreign policy observations with friendly references to the West. Belgrade must fear, on the basis of past experience, that the USSR will again renege on its trade and economic aid agreements. Moscow presently is scheduled to assist the Yugoslavs in the development of a \$175,000,000 aluminum complex. The Yugoslavs, however, are far less susceptible to this form of pressure than was the case in 1948, when they were heavily dependent on their economic ties with the East.

Despite the shadow over relations between the USSR and Yugoslavia, both apparently still desire to avoid as complete a break as that in 1948. The visit of Soviet President Voroshilov to Yugoslavia in May, which has not yet been canceled, suggests that the USSR hopes to maintain at least "correct" state relations. Tito is still supporting Soviet foreign policy objectives and in his speech before his party's congress noted that relations with the USSR had been progressing "very favorably," particularly those of an economic nature.

The Yugoslavs have apparently chosen to isolate themselves ideologically in the Communist world rather than abandon the dogma which makes their "road to socialism" unique. Tito's internal position has undoubtedly been strengthened by his continued ability and desire to stand up to the USSR when Yugoslav independence is at stake.

Yugoslav relations with the satellites, except for Poland, will follow the course of those with the USSR. They may in fact become even more tense. Neither Albania nor Czechoslovakia had "observers" at the Yugoslav congress, as did the other satellites and the USSR. The Polish observer has not acted in concert with his bloc colleagues, and the Polish party daily, while standing with Moscow in criticism of the Yugoslav party program, has endorsed Yugoslavia's right to pursue its own "road to socialism." Tito's visit to Warsaw scheduled for late this spring assumes considerable significance for both the Yugoslav leader and Gomulka in their relations with the bloc.

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FRENCH POLITICAL CRISIS

The major French political parties do not appear ready as yet to accept the basic compromises necessary to form a coalition government. This will add to the difficulties of President Coty's second nominee for the premiership, the center Democratic Resistance Union leader Rene Pleven, who had demanded the parties' agreement on Algerian policy as a condition for trying to form a government.

The parties are unlikely to want to compromise until they know whether the runoff local elections on 27 April produce any significant trend indicating popular sentiment for or against a tough North African policy. The Socialist party also may be disinclined to take a position until after its national information conference on 2 May which is expected to mark an advance in its public evolution away from the tough

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policy carried out by Socialist Minister for Algeria Robert Lacoste.

Tunisian President Bourguiba's publicly announced decision of 24 April not to renew charges against France in the UN Security Council may give Pleven an unexpected boost in his effort to win the support of Independent and Social Republican leaders. They, together with Popular Republican Georges Bidault, led the assault on Gaillard's acceptance of US-UK good offices proposals for a resumption of French-Tunisian negotiations. Bidault's repudiation by his own party this week when he tried to form a right-oriented government based on no concessions on North Africa demonstrated the inability of the die-hard elements to form a government without at least left-center support.

Pleven may also be acceptable to the Socialists, as well as some center deputies, but, like Bidault, he may have trouble within his own party, particularly from its president, Francois Mitterrand, advocate of a liberal Algerian

policy and himself a possible candidate for premier.

In addition to the possibility that Pleven has been called too early in the crisis, he has several personal strikes against him. He was defense minister when Dien Bien Phu fell in 1954, and this fact is particularly remembered by the French Army and its parliamentary sympathizers. Pleven also is open to the charge that "the Americans like him," which may be exploitable by rightists who built up a new peak of anti-American sentiment in the National Assembly on 15 April.

In Algeria, the rebels have again stepped up their terrorist campaign against Moslems who cooperate with the French by accepting membership on urban councils. Anti-American sentiment among Europeans and French officials in Algeria reached an unprecedented high with the fall of the Gaillard government and press speculation that the United States now favors negotiations with the FLN on Algeria.

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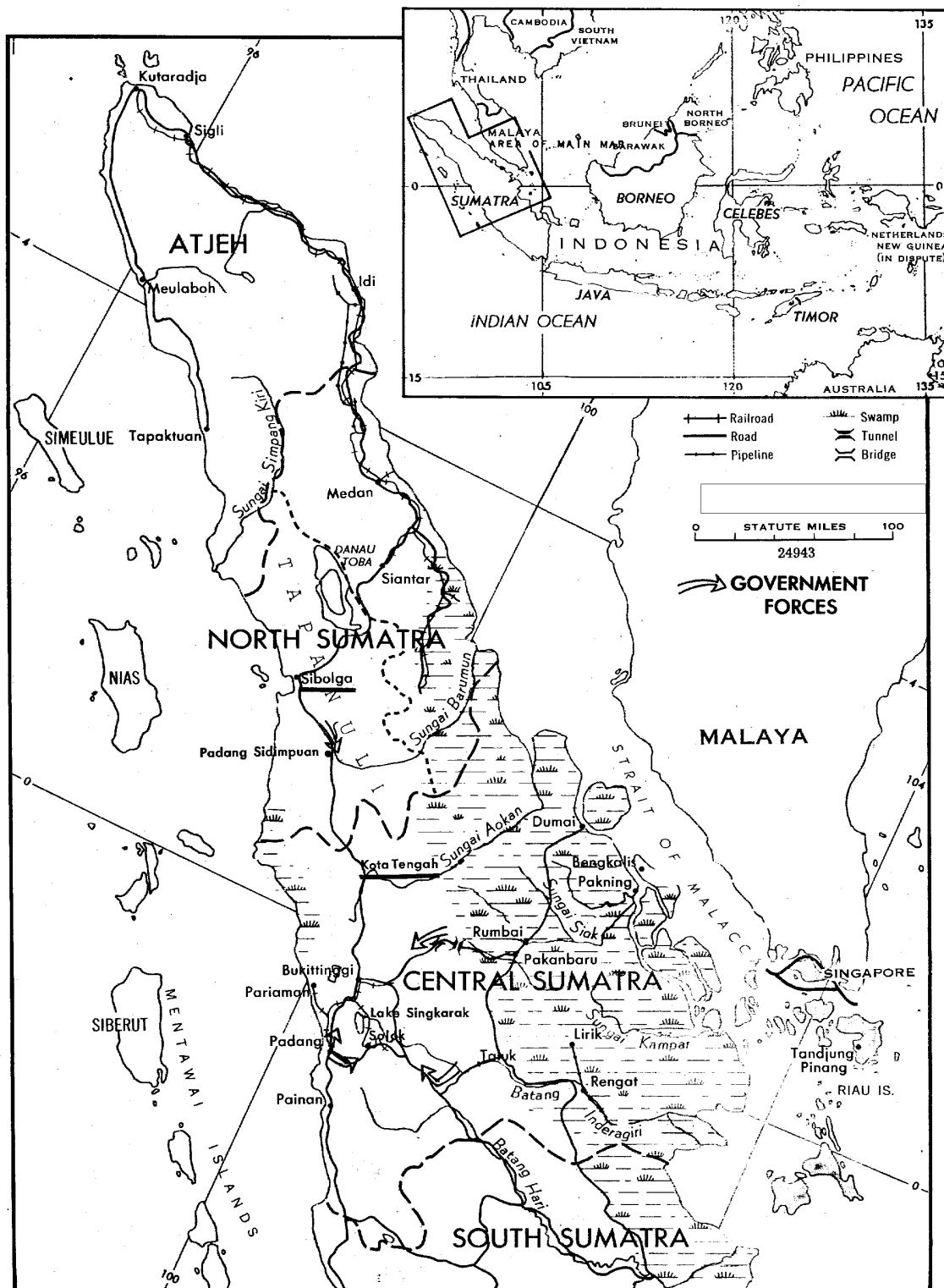
INDONESIA

Indonesian government forces, having secured Padang in Central Sumatra on 17 April, are now closing in on the Bukittinggi-Solok area against little resistance. Bukittinggi now is largely a psychological and political target, since dissident forces stationed there have moved south, some of them apparently regrouping at Solok. Solok is being en-

circled by government troops, some moving in from Padang and others advancing from the east.

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Government forces clearing the Tapanuli area of North Sumatra of dissidents have reached Padang Sidempuan, and some of them apparently are doubling back toward Sibolga. Djakarta claims mopping-up operations are continuing in the Lake Toba area, where pockets of dissidents remain.

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The Soviet Union is reported offering Indonesia a \$25,000,000 loan in hard currency, probably under the \$100,000,000 credit agreement finalized earlier this year. The loan would not involve any restrictions on use and would be intended to offset at least

partially Indonesia's foreign exchange deficit.

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REPORTED OPPOSITION TO KHRUSHCHEV

Premier Khrushchev has issued what are apparently warnings to domestic opponents of his policies. Successive Pravda editorials on 17 and 18 April roundly attacked the "antiparty group"--Molotov, Malenkov, Kaganovich, and Shepilov--for their opposition to key elements in Khrushchev's policies in industry and agriculture. The editorials plainly implied that resistance to Khrushchev's latest innovation--the transfer of agricultural machinery from machine tractor stations to individual collective farms--might be dealt with in the same manner as the opposition of the "antiparty group." One of the editorials declared pointedly that the party "has broken and will break all obstructions and obstacles in its way."

Pravda did not pinpoint the sources of opposition but there have been some indications that the party presidium itself is not fully unified behind Khrushchev. According to some reports, Mikhail Suslov, a member of the presidium and second-ranking party secretary, remains unreconciled to Khrushchev's policy for reorganizing Soviet agriculture. His public speeches since the policy was announced have been noticeably lacking in enthusiasm for it, although other leaders have given lavish praise both to the policy and to Khrushchev personally for his part in initiating it. Other reports, however, have indicated that the bulk of opposition to the policy is at lower levels. Khrushchev himself has merely said that "certain economists" have objected that the sale of machinery to the collectives is a step away from full communization of agriculture.

Khrushchev is not without his vulnerabilities. By taking the premiership, he has destroyed the last remnants of "collective leadership" and has probably created apprehensions about a new Stalin, with all the dangers that would imply for his subordinates.

Furthermore, certain of his major policies may have come home to roost. His long effort to woo Tito back into the bloc has now taken a severe--

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perhaps a final--setback. His "new lands" program has not yet proved itself; last year it fell off badly after the preceding year's excellent harvest. The "summit" campaign, moreover, has not gone quite as he planned. (See following article.)

Khrushchev himself is showing signs of strain, which could indicate tension within the leadership or that the weight of the responsibilities he has taken on is beginning to tell on him. His temper has been short and his language extremely blunt and crude.

Despite indications of continuing opposition to his policies and of personal strain, Khrushchev still appears to be in firm command, and any chal-

lenge to his leadership would entail formidable risks. There are no signs that opposition to the agricultural reorganization has delayed it or watered it down. Khrushchev's role as the regime's prime spokesman is undiminished, and the American Embassy in Moscow has noted that Khrushchev now is the object of press treatment which recalls the postwar Stalin and that he has adopted the Stalinist mannerism of referring to himself in the third person. As his power has grown, Khrushchev has shown himself increasingly impatient of restraint. He does not yet have untrammelled authority, but anyone guilty of direct opposition or merely foot-dragging is likely to go the way of Molotov, Malenkov, and others.

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SOVIET SUMMIT TACTICS

With the opening of talks at the ambassadorial level in Moscow last week, the USSR moved to undercut the Western position on the nature and scope of the preparatory talks and to heighten public pressure for an early summit conference. Soviet Foreign Minister Gromyko's opening move was to probe for any signs of divergence of views among the three Western powers by calling in their ambassadors for separate interviews.

Despite First Deputy Premier Mikoyan's earlier admission that the USSR had overestimated the pressure of Western public opinion in forcing the West to agree to summit

talks, the Soviet leaders are still counting on the influence of the American allies to force Washington to relax its conditions or to force Britain and France to break with American views.

If the West rejects separate talks and insists on joint meetings, the USSR will attempt to capitalize on the resulting impasse to prove that the West is seeking to torpedo summit talks. Should the West agree to expanded joint sessions with the participation of Poland and Czechoslovakia, Moscow would claim this constitutes Western acceptance of parity of representation.

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In a move designed to discredit American intentions and to make an early summit meeting appear more urgent than ever, Gromyko held a press conference on 18 April in which he denounced alleged flights of American bombers carrying nuclear weapons across the Arctic toward Soviet frontiers and announced that the USSR was bringing this issue before the UN Security Council.

Moscow thus reverted to a time-honored Soviet device designed to place the United States on the defensive during important negotiations. This move had the same purpose as Gromyko's attack last June on NATO commander Norstad on the day when the United States delegate to the London disarmament talks was scheduled to outline his response to the USSR's proposal for a two-to three-year nuclear test

suspension. By portraying American policy as provocative and irresponsible, Moscow hopes to generate distrust of American leadership and force Britain and France, under pressure of public opinion, to break with the American position on summit preparations. The Soviet leaders may also have believed that their charge would stiffen American resistance to any compromise on summit terms and thus facilitate their basic aim of dividing the United States from its allies.

Moscow has shown some sensitivity to Western suggestions that the attack on alleged US bomber flights may have been designed to stall summit preparations. Moscow radio has rejected such speculation and Soviet UN delegate Sobolev specifically denied on 22 April that the USSR had raised this issue as a step to back away from summit talks.

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Yemen

The Yemenis have recently put out additional feelers for American aid, although they show no sign of desire to cut down on Soviet bloc assistance or to desist from their anti-British campaign in the Aden Colony and Protectorate.

To counter increased Yemeni subversion and border attacks and to guard against possible labor trouble in the Aden refinery, the British last week sent in additional troops from the reinforced strategic reserve in East Africa. The troops will stay in Aden at

least until 25 April, the date a strike has been scheduled, and probably longer. A British attempt to arrest troublemakers in the Sultanate of Lahej, in Western Aden Protectorate, has given the Yemenis new opportunity for propaganda, particularly since the principal leader escaped to Yemen.

Jordan-Israel

The Jordanians entered bitter protests early this week against the Israeli preparations for the Independence Day parade in Jerusalem on 24 April. The Israelis brought a total of some 80 armored vehicles into the city, plus a number of troops exceeding the limits prescribed by the armistice agreement. UN officials feared that the emotions raised on both sides by the celebrations would set off an incident, and efforts were made through UN channels to persuade the Jordanian and Israeli authorities to take extraordinary precautions. The UN efforts became entangled in procedural disputes between Jordan and Israel, but they nonetheless seem to have had some effect. Tension remains high, however, with a clash in the Gulf of Aqaba between Israeli and Jordanian patrol boats and involving Saudi shore batteries a contributing factor.

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TESTING AND PRODUCTION OF NEW SOVIET TRANSPORT AIRCRAFT

The USSR has announced completion of test flights of two new turboprop transport aircraft, the IL-18/Moskva and the AN-10/Ukraina. The prototype of the AN-10 probably flew for the first time late in 1956, and production of both aircraft is believed to have begun by the fall of 1957. These two

aircraft will probably be put into service on routes now equipped with Soviet TU-104 and TU-104A jet transports, which are considered uneconomical.

According to Moscow radio, the IL-18, a four-engine craft, completed its 72nd and last test flight prior to going into

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**MOSKVA IL-18 (COOT)**

production in late March. It can carry from 75 to 100 passengers, while the AN-10 carries from 84 to 126. The AN-10's last factory test flight before going into production was announced about a week after that of the IL-18.

The TU-110, another new transport, was displayed along with the Ukraina, Moskvina, and the TU-104A at Vnukovo Airport in Moscow in July 1957. The TU-110 is similar to the TU-104 in configuration but has four turbojet engines and can carry up to 100 passengers. The TU-114/Rossiia, a four-engine turboprop first shown in late 1957, is the largest of the new transport aircraft. It is capable of carrying up to 220 passengers. Testing and production schedules of the TU-110 and TU-114 are apparently somewhat

behind those of the Ukraina and Moskvina. The chief of the Civil Aviation Administration has stated that the new turboprops, AN-10, IL-18, and TU-114, will be used on domestic lines this year and will be introduced later on international lines.

A high official of the Soviet airline Aeroflot stated last December that the expansion of the civil air fleet planned for the next five years would require the output of approximately one third of the total existing aircraft production facilities in the USSR.

The TU-104, a highly publicized two-engine jet which was the first of the late-model Soviet transports, may have already been phased out, although production probably continues on the TU-104A, a modified

**UKRAINA AN-10 (CAT)****SECRET**

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version. The aircraft has been under fire in the USSR because it is costly to operate, noisy, and requires very long runways. The Czechs recently purchased three TU-104A's but have said this is only the first step in a program to modernize their airline, and that they plan to put the new Soviet turbine aircraft on their international

routes "in the fairly near future." To date approximately 60 TU-104 and TU-104A aircraft are believed to have been produced. The IL-14, an older model two-engine piston transport, is expected to be completely phased out of production soon. (Prepared by ORR)

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KHRUSHCHEV CALLS FOR MORE BLOC ECONOMIC COOPERATION

During his visit to Hungary in April, Khrushchev called for bloc economic cooperation and industrial specialization to be speeded as a means to achieve higher productivity. According to Khrushchev, cooperation between the USSR and individual satellites is satisfactory, but "as soon as there is a question of cooperation among themselves (the satellites), the whole thing stops." Khrushchev reported that a meeting would be held soon between Eastern European and Soviet leaders to discuss this question.

During the past two years, the Council for Mutual Economic Assistance (CEMA)--the Soviet bloc organization concerned with economic cooperation--has acted largely as an advisory, consultative body with little authority, presumably because the USSR has relied on voluntary approaches to integration. The USSR may propose in the forthcoming meeting that CEMA decisions be given the status of law.

There has been little evidence to date that the program begun in 1956 for carrying out the division of labor among CEMA members has had more than limited success. Twelve permanent functional committees

established at that time to deal with industrial sectors such as steel, nonferrous metals, and chemicals have met frequently, promoting the use of common industrial standards, but apparently have had less success in the field of industrial specialization.

At a plenary meeting of CEMA in December 1957, it was agreed to coordinate Soviet bloc economic planning for a 15-year period beginning in 1960, leading ultimately to an integrated bloc economy. Khrushchev appears now to be insisting that high-level leaders come to grips with the basic problem of integration--industrial specialization--and make firm commitments to promote specialized industries with a resulting increase in economic interdependence within the bloc.

The obstacles to coordination to which Khrushchev referred during his recent trip are nationalistic desires for economic independence, technical disagreements on basic proposals for specialization, and, above all, resistance to the elimination of any operating industries--regardless of their inefficiency.

During the early postwar Stalinist period, inefficient,

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high-cost plants--and in some cases, whole industries--were built up in each of the satellites. CEMA members thus far have been reluctant to approve proposals which would require them to give up these parallel enterprises--established at considerable cost.

Furthermore, some of the satellites see increasing integration as reducing their capability for profitable trade with the West, since production would have to be geared to meet intrabloc trade needs. Eastern Europe, now accounting for 45 percent of the bloc's trade in underdeveloped Western areas, is seeking expanded markets for its industrial exports and increased supplies of raw materials

and consumer goods. The satellites have not subscribed to Khrushchev's thesis that trade is valued "least for economic and most for political purposes." In regard to granting technical assistance abroad, a Czech official stated that it is principally a means of increasing and extending opportunities for marketing industrial installations rather than "for its own sake."

With increasing frequency, satellite countries compete with one another. Both Hungary and Czechoslovakia recently submitted bids for a Syrian radio station

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(Prepared by
ORR)

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POLAND MODIFIES WORKERS' COUNCIL ROLE

Party First Secretary Gomulka, in a recent speech to the fourth congress of Polish trade unions, announced changes in worker comanagement of industry designed to enhance the party's control over worker organizations and strengthen its position in industrial enterprises. This move is in line with Gomulka's efforts to re-establish party supremacy over national life. These changes, if successfully carried out, will enable the party to implement further such unpopular programs as the firing of excess workers called for by the 11th party plenum in late February. The extent to which the changes will facilitate a reassertion

of party control depends in large measure on the strengths of the various factory party committees, which will differ from plant to plant.

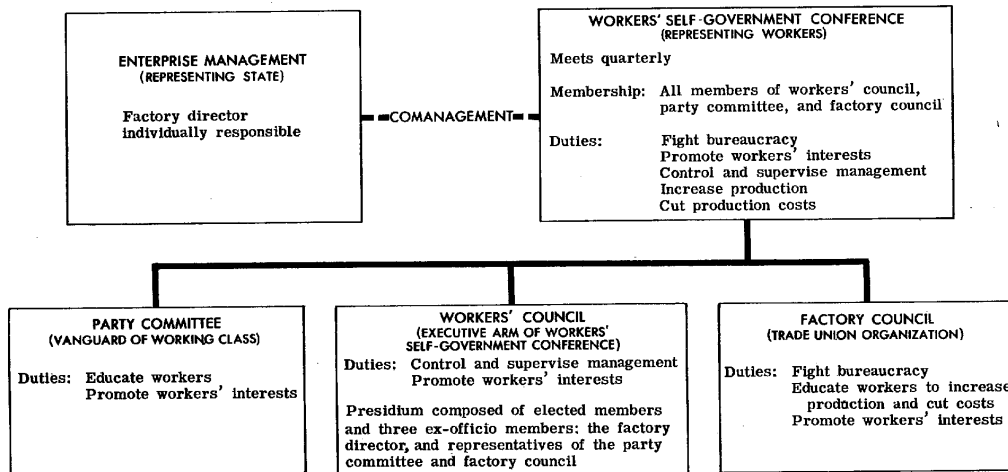
Gomulka outlined the establishment of "workers' self-government conferences" which include the three groups representing workers' interests in the factories: workers' councils, and the party and trade union factory organizations. Infighting between these groups and duplication of functions--evils that the new system will ostensibly remove--have been common. The real purpose of the change, however, is to weaken the workers' councils by

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POLAND: ORGANIZATION OF ENTERPRISE COMANAGEMENT

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increasing party and union authority over them. Gomulka probably also hopes to enhance the party's prestige by making party membership a prerequisite for wielding influence in the factory.

In his speech Gomulka discouraged strikes without specifically making them illegal. He repeated earlier statements that strikes not considered in the national interest would be resisted by the party. A new policy, as elaborated by trade union chief Loga-Sowinski, labels anarchistic and beyond "socialist legality" all but last-resort union-led "warning" strikes of which management must be given prior notice. These strikes are to call attention to legitimate worker demands ignored by management. Under this scheme, the unions, which are in less public disfavor than the party itself, will become party spokesmen and impose authority on the workers from above.

Emphasizing the need for greater production, Gomulka called for increased work norms in certain industries, a measure which is bound to be unpopular. More likely to meet with worker approval is his strong appeal to unions to lead the fight against bureaucracy. A weapon for this fight will be the "warning" strikes authorized by Loga-Sowinski.

These policies--which do not represent a departure from Gomulka's original program--typify the fine line that Gomulka has drawn between meeting popular demands and attempting to establish a well-controlled Communist state. Some reorganization of "worker self-administration" was probably required at this time to facilitate such economic reforms as the reorganization of industry and reallocation of labor. Gomulka apparently also feels he now has enough support to promote the party as the dominant force in national affairs. (Continued in by ORR)

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MAO TSE-TUNG TOURING CHINA'S PROVINCES

Mao Tse-tung has spent all but about three weeks of the past five months on a tour which has so far taken him to at least 9 of Communist China's 25 provinces. Mao's tours of inspection in recent years have seldom been as extensive or so well publicized as the present one.

One of Mao's principal objectives has probably been to prod local party leaders and to help them carry through with "rectification" of the provincial party apparatuses. Press reports of his activity indicate that he has met with

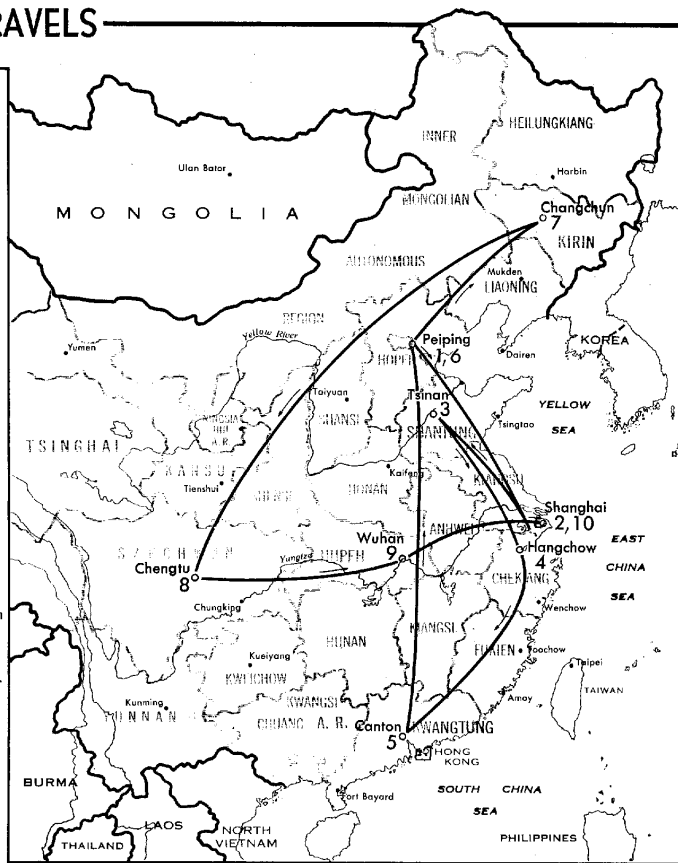
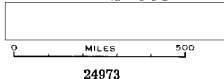
rank-and-file party officials in at least three provinces--Chekiang, Shantung, and Kirin--and has dealt with key leaders everywhere he has gone. In Chekiang, Mao's visit was followed by the purge of three members from the provincial party standing committee. Other provincial party leaders may be similarly treated in the aftermath of Mao's visits.

An equally important purpose of the trip is probably to gather firsthand information on local conditions--perhaps in preparation for a major speech at the national party congress

MAO TSE-TUNG'S TRAVELS

- 1 Left Peiping about 8 December 1957.
- 2 Took part in the Chekiang provincial party congress; met Burmese Deputy Premiers Kyaw Nein and Ba Swe in Shanghai or Hangchow on 16 December.
- 3 Interviewed delegates to the Shantung provincial party congress in Tsinan some time before 23 December.
- 4 Met with Yemeni Crown Prince Badr on 2 or 3 January 1958 in Hangchow.
- 5 Granted an audience at Canton to the departing Indian ambassador on 23 January.
- 6 Arrived in Peiping on 27 January in time to attend the National People's Congress; left for Changchun on 11 February.
- 7 Received all members of the enlarged session of the Kirin provincial party committee in Changchun.
- 8 Arrived in Chengtu, capital of Szechwan Province on 5 March; visited an agricultural cooperative in western Szechwan on 16 March; spent most of the month in this province.
- 9 Received a visiting Polish delegation in Wuhan on 2 April.
- 10 Most recent public appearance was in Shanghai on 12 April.

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has long held that opinions not based on personal investigation are "nothing more than groundless fantasies" and has generally followed his own rule that "if you have done no investigating, you have no right to speak."

Still another reason for the trip may be to refurbish the public image of Mao as a benevolent and all-wise father--the guise in which he is always presented, despite the fact that he has been personally responsible for some of the regime's most oppressive policies. Accounts of his meetings with the people have stressed

his concern for their welfare, his friendliness, and his detailed knowledge of their problems.

Stories about Mao's trip also appear designed to silence any speculation that his health is failing.

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Since late January, publicity on Mao's travels has made a special point of picturing him as alert and vigorous, but despite this it is doubtful that Mao at 64 is as robust as Peiping has been asserting.

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MOROCCO

The Tangier conference of North African political parties, scheduled for 27 April, has been postponed "for a few days" because a new Moroccan government may not be formed before 29 April. In the interim, representatives of the Moroccan Istiqlal are going forward with talks in Tangier with Tunisian Neo-Destour party and Algerian National Liberation Front representatives on the conference agenda and procedures. While the conference objective is to lay the groundwork for an eventual Maghrebian (North African) federation, the meeting will deal primarily with measures to aid the Algerians in obtaining their independence.

King Mohamed V presumably is trying to circumvent Istiqlal desires for a one-party government. Such a cabinet might prejudice the future of the throne, because a strong faction of Istiqlal favors a republican form of government.

Istiqlal's predicament is that it has tolerated a nominal opposition to please the King but has never been willing to contemplate a serious opposition. At the same time, three factions within Istiqlal are vying for control of the party. Unless a workable compromise is achieved, the party may split into rival political organizations, thereby enhancing the position of the opposition groups which seem to be coalescing, with the King's encouragement, around former Premier Bekkai.

Meanwhile, Rabat has demanded the evacuation of all Spanish troops from Morocco in retaliation for the refusal of authorities in Spanish Sahara to permit Moroccan troops to use that portion of the main road which dips into northern Spanish Sahara. Moroccan troops were en route to the capital of the new Moroccan province of Tarfaia created from the apparently worthless 25,000-square-mile strip of desert known as Southern Morocco.

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which Spain has ruled as a protectorate since 1912, to participate in a ceremony marking the institution of Moroccan authority.

This takeover, originally scheduled for 10 April, was finally accomplished a week later. At the same time Istiqlal party leader Allal el-Fassi,

leading proponent of Moroccan annexation of large portions of French- and Spanish-controlled Saharan regions, has contributed to growing anti-Spanish feeling by urging Morocco to break economic and cultural relations with Spain if Madrid refuses to acknowledge that the boundaries of Tarfaia Province are not final.

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THE PAN-AFRICAN CONFERENCE

Eight independent African states--Ethiopia, Ghana, Liberia, Libya, Morocco, the Sudan, Tunisia, and the United Arab Republic--concluded on 22 April their initial attempt to project a collective "African personality" onto the international scene. After a week of talks at Accra, Ghana's capital, the conferees endorsed the principles of the 1955 Bandung conference and formalized their attitudes on issues of immediate interest to Africans. However, basic differences in culture and outlook among the participating states were reflected in the conferees' inability to agree on many measures for joint action or to spell out an assumed "fundamental unity of outlook on foreign policy."

As expected, the conference denounced "colonialism" and "racialism" and was especially critical of French policy in Africa. The tone of the resolutions adopted, however, was relatively temperate. With respect to Algeria, the conferees called on France to negotiate with the National Liberation Front and to recognize the right of the Algerian people to independence. Apparently the only specific support action envisaged is the appointment "as soon as possible" of a mission to

tour world capitals to enlist support for the Algerians.

The conferees, who agreed to hold similar meetings biennially, also condemned the production and testing of nuclear weapons.

The UAR delegation apparently attempted unsuccessfully to steer the conference into underwriting more extreme positions and actions. Cairo's spokesman reportedly urged more vigorous denunciation of France and the establishment of a fund to help colonial areas obtain independence. Liberia, Ethiopia, Tunisia, and the Sudan appear to have provided the principal opposition to these efforts.

The Sino-Soviet bloc has favorably publicized the conference as a "continuation" of the 1955 Bandung meeting and also of the recent Afro-Asian Solidarity Conference in Cairo. Interference with the conference has been avoided, however, presumably in the expectation that the results would in themselves further the bloc's immediate policy objectives in Africa. Meanwhile, on 19 April Moscow radio for the first time began beaming English- and French-language broadcasts to Africa.

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RACIAL PROBLEMS IN SOUTHERN AFRICA

Racial partnership received a sharp setback in elections in Southern Rhodesia on 16 April when the European electorate favored candidates upholding white supremacy and the moderate prime minister lost to a segregationist.

On the same day, the Union of South Africa's million and a quarter European voters clearly demonstrated support for the racist Nationalist party by giving it an unprecedented third term in office with its largest parliamentary majority--103 seats out of 163. The party's racial policies are likely to lead eventually to conflict. During their new five-year term of office, the Nationalists will probably tighten racial restrictions under existing laws rather than enact further repressive legislation.

In Southern Rhodesia, keystone of the settler-dominated Federation of Rhodesia and Nyasaland, the European voters, in a by-election, rejected Prime Minister Whitehead, who stood for the moderate principle of racial partnership, and picked a segregationist. As a result, the prime minister dissolved the territorial parliament and called for new general elections on 5 June. The segregationists are expected to score heavy gains in these elections and may increase their present four seats in the 30-member assembly to about 12. Southern Rhodesia's denial of multiracialism is likely to be reflected in forthcoming

federal elections in the Federation of Rhodesia and Nyasaland, where the moderate governing party has already lost several recent by-elections to the segregationists.

The by-election, following the party's ouster in February of a relatively liberal prime minister, will cause a further loss of confidence among the African population. Southern Rhodesia has traditionally enjoyed excellent racial relations in contrast to surrounding areas. Organization among African nationalists is improving and the present moderate leadership may be challenged successfully by extremists in the near future.

If the Rhodesian settlers adopt a South African type of racialism, officials in London will probably be more reluctant to agree to early independence for the federation.

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THE PRE-ELECTION SCENE IN GREECE

The National Radical Union (ERE), right-center party of Constantine Karamanlis, which governed Greece from February 1956 to March 1958, remains the strongest political party in Greece as the 11 May national elections approach. It is basing its campaign on its record of political stability and economic advance. Opposition parties hope to capitalize on the failure of Karamanlis to solve the Cyprus issue, his rumored willingness to accept NATO missile bases, the virtual disenfranchisement of the armed forces by the new electoral law, and continuing economic problems. Most observers believe that ERE will retain a sizable plurality in the new Chamber of Deputies, but is unlikely to maintain its absolute majority.

The major threat to ERE dominance appears to come from the centrist Liberal party, the second largest in Greece. While the Liberals are stoutly denouncing ERE, their past collaboration with Karamanlis in drafting the present electoral law and their basically pro-Western program may make it difficult for the electorate to differentiate between the two. The Liberals will probably increase their representation slightly over the 67 seats they now hold.

Two minor non-Communist political groupings are the Na-

tional Populist Union and the Progressive Agrarian Democratic Union (PADE). The right-wing Populist party, once the largest in Greece, has been nearly eliminated by political events in recent years and will probably be important in the coming elections only because it may draw votes away from the ERE. PADE is a heterogeneous grouping of center-left politicians who merged after negotiations to form a common electoral front with the Communist-oriented United Democratic Left collapsed. The dynamic but unpredictable Spyros Markezinis has allied his right-wing Progressives in an electoral front with PADE and is generally regarded as spokesman for this coalition.

On the far left, and running alone despite reported orders from Moscow to set up a front with the smaller parties at any cost, is the United Democratic Left (EDA). EDA enters the campaign as the best organized party in Greece, but is suffering from factionalism and the Communist stigma. By exploiting the missile base and Cyprus issues, EDA apparently hopes to damage Greek relations with the West. It could secure enough seats in the new chamber to become the balance of power in case an unstable coalition government emerges following the elections.

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SOUTH KOREAN ELECTIONS

The opposition Democratic party does not appear to be in a position to challenge seriously the control of the South Korean National Assembly by President Rhee's Liberal party in the general elections on 2 May. While there are likely to be

fewer instances of strong-arm election tactics, the administration is using less obvious forms of intimidation to counter popular support for the opposition Democratic party.

The elections are not expected to result in any

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appreciable change in national policy, although the trend toward a two-party system appears likely to continue. The suppression of the leftist Progressive party early this year has tended to make the campaign a two-party contest. In the present assembly the Liberals have 131 seats, the Democrats 46, the independents 24, and there are two vacancies. The balloting will select 233 representatives for four-year terms, 30 more than in the present assembly.

Both major parties are conservative and strongly support Seoul's alignment with the free world. In addition, Rhee's dominant position will limit the effect of the elections on national policy. Should the Liberals gain a two-thirds majority in the new assembly, they may attempt to remove opposition Vice President Chang Myon from the presidential suc-

cession by a constitutional amendment.

The Democrats are attacking government corruption and challenging Rhee's unification policy. In a policy reversal, the party has rejected unification through unilateral South Korean military action and declared its support for UN-supervised elections in both North and South Korea. Rhee has insisted that supplementary UN-supervised elections be held only in North Korea and has advocated forceful unification.

The Liberals appear to be relying on patronage and bureaucratic pressures to win support. They are seeking to induce opposition campaign workers to defect, and are reported to have subsidized independent candidates to split the opposition vote. They may also resort to fraudulent vote counting.

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ANTI-AMERICAN SENTIMENT IN ICELAND

A recent outburst of anti-American sentiment in Iceland followed the emergence of differences between the American and Icelandic positions on territorial waters at the Geneva Conference on the Law of the Sea. Sentiment against American forces at the NATO base in

Iceland had been declining for some time. The Icelanders, whose economy is wholly dependent on fishing, desire a 12-mile limit with the possibility of a further extension in special circumstances.

A growing realization that the NATO base at Keflavik

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contributes materially to Iceland's economic well-being has caused a large part of the population to accept the continued presence of American forces there. From 1954 to 1957 Iceland received over \$46,000,000 in net foreign exchange from the base, and, in addition, over \$11,000,000 in loans from the United States and West Germany. Consequently, when the new government of Progressives, Social Democrats, and the Communist-front Labor Alliance initiated discussions in the summer of 1956 with the United States looking toward a withdrawal of American forces, there was widespread popular support for the retention of the base on economic grounds. Using the Hungarian revolution and the Suez crisis as pretexts, the government "discontinued" negotiations in December 1956.

The Communists have periodically demanded the expulsion of American troops, but their efforts seem to have been little more than political gestures. In November 1957 the Communists called for the formation of a

committee of representatives of the three parties to reopen the base negotiations, but their coalition partners categorically rejected the demand. The January local elections showed continuing gains by the Conservative party, which has generally defended the base.

Angered by the American refusal at Geneva to support completely Iceland's desires on the territorial waters question, Icelandic officials have strongly hinted that all American troops might be expelled, and the press has adopted a strong anti-American tone. On the issue of territorial waters, the Icelanders are extremely emotional and wholly united as a people and, therefore, might possibly go so far as to reopen the base discussions discontinued in 1956. The government, however, is more likely using the popular indignation for tactical purposes. In the event the outcome of the conference is unsatisfactory, Iceland's most likely countermove will be to extend unilaterally its territorial waters to the 12-mile limit.

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NETHERLANDS POLICY REGARDING WEST NEW GUINEA

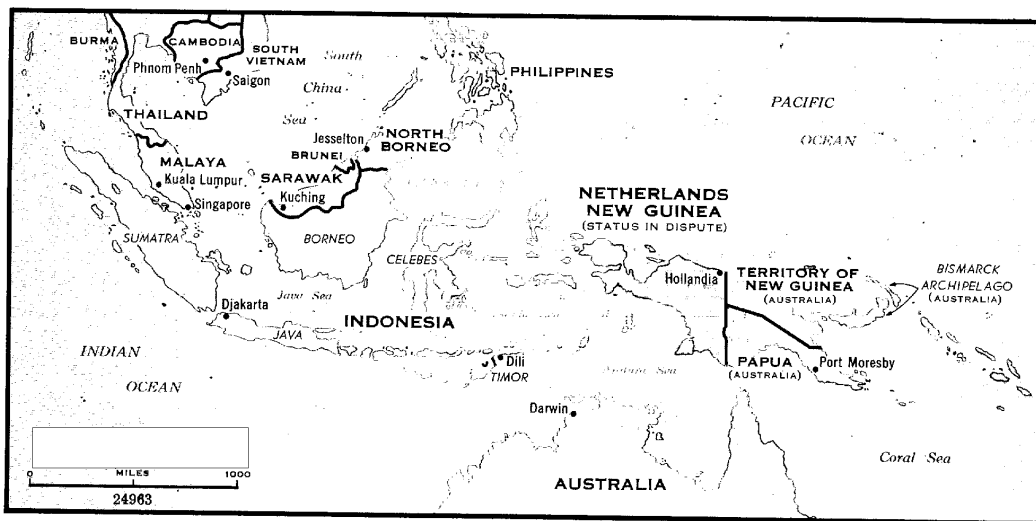
Netherlands Foreign Minister Luns has recently expressed fear that a victory for Indonesian President Sukarno over the Sumatran rebels might lead to an attempt by Djakarta to settle the West New Guinea dispute by force. While the Dutch do not believe this threat is an immediate one, there has been some pressure in The Hague for a re-examination of West New Guinea's status, and a growing number of Dutchmen believe their country's position there is ultimately untenable.

The government remains determined not to negotiate with

Djakarta on the disposition of the territory. The Dutch have long felt relieved of any legal commitment to do so by Djakarta's abrogation of the 1949 bilateral agreements which contained a promise to discuss the question. Sukarno's anti-Dutch campaign starting last December has strengthened this resolve.

For the longer term, many Dutch realize that their New Guinea policy will have to be adjusted. The Dutch would not like to become involved again in major hostilities in Asia. They want to maintain their control in New Guinea principally

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for prestige reasons as the area is an economic burden which earnings in Indonesia can no longer help defray. Some members of Parliament have criticized the Dutch administration there, and others doubt that The Hague's legal position is defensible in the UN.

These views seem to be most prevalent in the Labor party of Prime Minister Drees, which recently produced a policy statement urging the government to be prepared to re-examine West New Guinea's status. One specific suggestion was to include the territory in a new "Melanesian Federation" including Australian-administered trust territories on the main island and adjacent to it. The United

States and other SEATO powers would be asked to share responsibility for this federation. In any case, the government is called on to fix a date for ultimate termination of West New Guinea's colonial position.

Any change along these lines is likely to face strong opposition from the conservative parties of the Dutch coalition, which are reluctant to abandon the "civilizing" mission in New Guinea. Also relinquishment of sovereignty over the Dutch colony would necessitate revision of the constitution--a procedure requiring a two-thirds vote of Parliament.

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PROBLEMS FACING NEW ARGENTINE PRESIDENT

Foremost among the problems President-elect Arturo Frondizi will inherit on 1 May is that of financing petroleum and power development, considered the key to Argentina's economic and financial recovery. Frondizi, a proponent of economic national-

ism during the Peron era, now favors foreign capital investment in industry and private support for the state oil fields on a contract basis. Bloc interest in promoting trade with Argentina is demonstrated by the high rank of the Soviet and

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satellite delegations scheduled to attend the inauguration.

The broad outlines of Argentina's severe economic prob-

of fear that it might prejudice the peaceful election of a new government. Since the 23 February elections, however, government spokesmen have attacked nationalistic opposition, bluntly stating that unless Argentina obtains foreign capital for oil development--now dominated by the state oil company YPF--it will have to lower its standard of living to meet its growing petroleum bill, about \$270,000,000 in 1957.

ARGENTINA: FUEL AND POWER NEEDS FOR 1965*

	CONSUMPTION (MILLION TONS OF PETROLEUM EQUIV.)		EXPENDITURE REQUIRED 1957-1965 (MILLIONS)	
	1955	1965	DOLLARS	PESOS
Hydroelectric power	.099	1.5	495**	28,000**
Wood and other plant fuels, and waste materials	2.595	2.6	10	100
Coal: Domestic	.094	1.4	31	1,350
Imported	1.111	.5	126	—
Oil and natural gas: Domestic	4.905	15.5	1,050	14,500
Imported	6.906	5.0	1,510	2,120
Atomic energy	—	—	5	1,000
Other resources	—	—	—	30
TOTAL	15.710	26.5	3,227	47,100
Power consumption per capita	.82 (TONS)	1.1		

*Estimated by Argentine Engineering Association.

**Includes \$60,000,000 and 4.5 billion pesos (\$1.00=39 pesos) for projects which will not be in operation by 1965.

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lems had changed little since Peron's ouster in 1955, despite notable counteractive steps by the provisional Aramburu regime. Gold and foreign exchange holdings had dropped to a new low of \$288,000,000 as of 8 April, and there has been no large-scale foreign investment to help expand and modernize production facilities or to counter the balance-of-payments deficit--some \$300,000,000 in 1957.

The issue of foreign investment in oil and power was not pressed by the Aramburu regime until recently because

Frondizi's recent statements have favored YPF's contracting private assistance and stressed a desire for good relations with the United States. Possibly as a gesture toward US investors, Frondizi's aides have been discussing with officials of an American electric power company means of compensating the company for properties expropriated under Peron.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****24 April 1958****BRAZIL'S ANTI-COMMUNIST CAMPAIGN**

President Kubitschek's strong anti-Communist speech of 12 April and the justice minister's announcement that he will soon seek new anti-Communist legislation constitute the first broad attack on subversion since Brazil broke relations with the USSR and outlawed the Communist party ten years ago. Kubitschek's move was prompted in part by the "surfacing" on 26 March of Communist chief Luiz Carlos Prestes after ten years in hiding.

The court decision which made this possible has occasioned a flood of sympathetic press coverage recalling the 22,000-mile guerrilla march of the "Prestes column" in the early 1920's and Prestes' sobriquet, "the knight of hope." Although Prestes' authoritarian methods nearly wrecked the Brazilian party during the ideological dissension of last year, he had previously helped make it the largest and most influential in Latin America. Barring government counteraction he may now be in a position to reunite and revive the party behind his new facade of "amiable nationalism."

Opposition political leaders, playing on the traditional Brazilian dislike of repressive

measures, have seized on the anti-Communist campaign as an opportunity for new attacks on the administration during the campaign for the October congressional elections. They have accused the government of planning to gag all its opponents with the proposed loyalty laws and of creating a false Communist scare to draw attention from the mounting foreign exchange crisis and domestic inflation.

The opposition attack has been aided unexpectedly and apparently inadvertently by a church manifesto issued on 15 April. The church strongly backed the need for new anti-Communist legislation, but warned that safeguards would be needed and stated that the administration must also undertake an immediate review of its economic policies in order to remove a second source of peril to national stability.

While chances are slim that Congress will act on the government request for legislation before the elections, Kubitschek's warning may slow the momentum of the Communist drive to regain respectability and unity.

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PART III**PATTERNS AND PERSPECTIVES****SOVIET BLOC AID TO INDIA'S INDUSTRIAL DEVELOPMENT**

The Soviet bloc is playing an increasingly important role in India's economic development, although the preponderance of aid granted to date has been from the West, and the economy remains essentially Western-oriented. The success of India's Second Five-Year Plan (1956-1961) depends on large-scale foreign assistance, and the bloc is providing aid for a wide variety of key industrial projects. The Indian Government, satisfied with the caliber of bloc technicians and the quality of bloc materials already supplied, has recently accepted additional aid offers from Czechoslovakia, East Germany, and Rumania. While the bloc will probably make further aid available to India, it is doubtful that it will fill the foreign exchange gap of up to one billion dollars expected under the plan.

General bloc offers of aid were made in 1953 and 1954, but it was not until late 1955 that firm commitments began to be made. These have taken the form of medium-term credits, usually 12 years, totaling \$306,000,000. About 95 percent of this amount has been provided for use on heavy industrial and mineral development projects. Bloc aid since 1956 has been selective and carefully geared to meet priority needs of the Second Five-Year Plan.

Technical Aid

Bloc countries have provided the services of technical experts to assist in construction projects and surveys. During the last six months of 1957, an estimated 260 bloc technicians and professionals were thus engaged. While the majority have worked on the Bhilai steel plant and on petroleum exploration projects, a significant

number have been employed in economic planning, hospital construction and operations, coal and lignite development, ship salvaging, sugar and cement plant construction, fertilizer production, raw film manufacturing, and development of heavy machinery industries. In addition, the USSR is helping to set up the UN-sponsored Bombay Technological Institute and is providing \$1,500,000 worth of equipment and 15 professors for its staff.

Steel

Under an agreement of February 1955 and supplementary agreements of April and May 1956, the USSR provided a credit of \$132,000,000 for purchases of equipment and materials and for technical aid to construct an integrated steel plant at Bhilai with a capacity of approximately a million tons per year, the most ambitious project aided by a Soviet bloc country in an underdeveloped country in the free world. The credit will also provide training for Indians in steel technology in both India and the USSR. In addition, 4,000 Indians are scheduled to receive on-the-site training at Bhilai, and about 700 Indians are to be trained in Soviet steel plants under a Soviet contribution to the UN technical assistance fund.

Some 80 Indians already trained in the USSR are now working at Bhilai and, by the end of 1957, about 90 Soviet technicians and engineers were reported at the plant assisting in construction.

Construction of two other steel plants, each of approximately a million tons annual capacity, is being financed by Britain at Durgapur and by West Germany at Rourkela. The three

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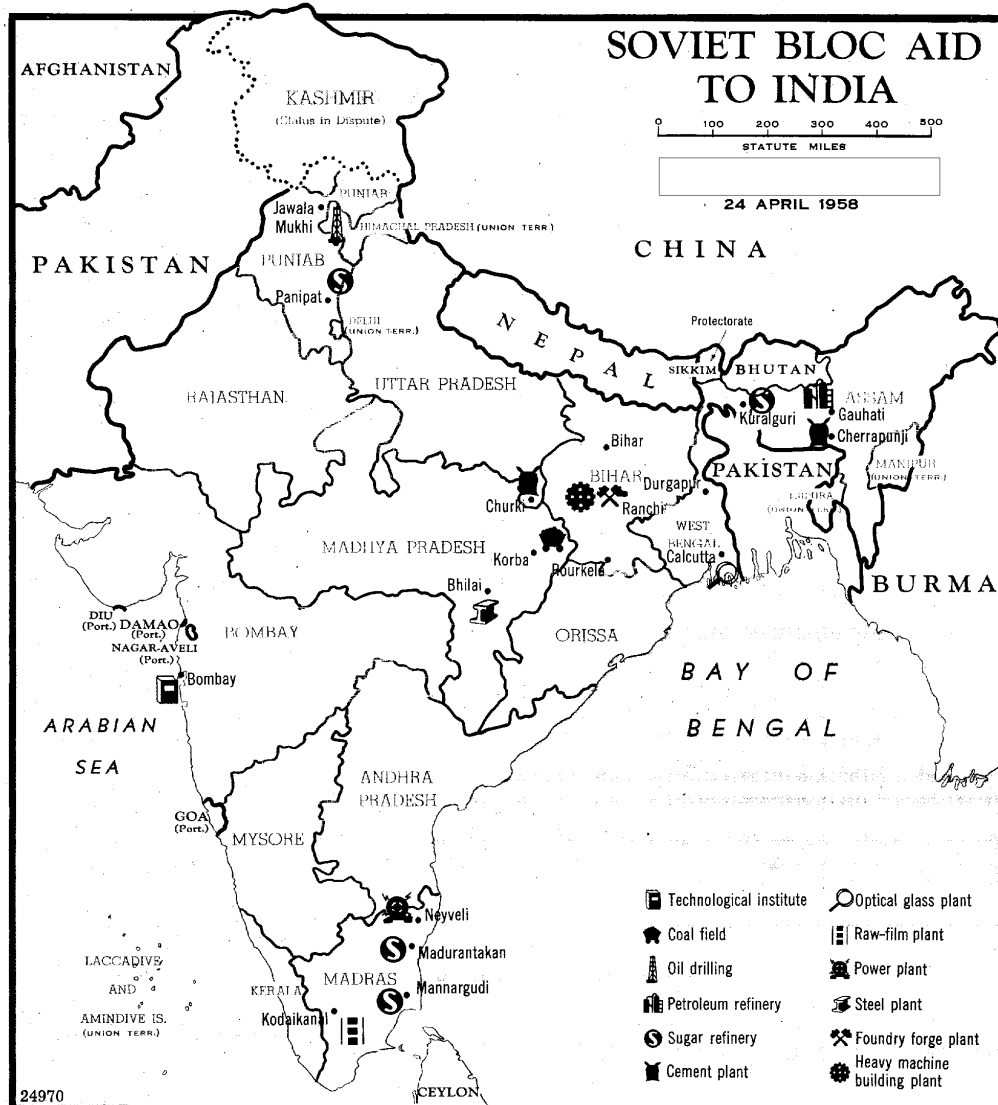
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plants are designed to make India nearly self-sufficient in steel by 1961 and thus release foreign exchange now used for steel imports for purchases of machinery.

Heavy Machinery Manufacturing

Another major sector of the second plan on which the Soviet bloc has concentrated is heavy machine manufacturing, essential to further industrialization. At present, nearly all of India's growing needs for

heavy machinery must be met through imports. In 1956, the Soviet bloc indicated interest in the seven heavy machinery manufacturing plants planned by India. At that time, the USSR extended a \$126,000,000 general development credit to India to be used beginning in 1959. A November 1957 utilization agreement stipulates that some \$56,000,000 of this credit will be for construction of a heavy machinery building plant in Ranchi to produce annually 45,000 tons of industrial



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machinery and 30,000 tons of mining machinery. In addition India accepted in January 1958 a Czechoslovak offer of a \$33,-600,000 credit to cover the foreign exchange costs of constructing a foundry at Ranchi.

Mineral Development

In January 1956, the USSR sold 20 coal-drilling rigs to India and, between October 1956 and January 1957, two Soviet teams were sent to India to assess the potential for producing more coal and for manufacturing mining machinery during the second plan. The findings of these teams led the Soviet Union to include production of mining machinery at the Ranchi heavy machinery plant and to earmark \$17,000,000 from the \$126,000,-000 general development loan for expansion of the Korba coal fields, which are scheduled to provide fuel for the Bhilai steel plant.

Technical assistance from the USSR as well as from several Western countries is being used to conduct surveys of India's oil resources. During 1957, a group of 26 Soviet specialists conducted surveys in the Punjab and another 20 arrived in Bombay State in 1958 to aid in oil exploration. Rumania and the USSR also are involved in exploration and drilling operations at Jawala Mukhi in the Punjab. In connection with this latter project, both countries have sent a total of 60 petroleum experts and have granted credits of about \$4,600,000 for drilling rigs and accessories.

In line with the government's intention to participate in the Indian oil industry, two government-owned refineries are to be built. Both of these refineries--one in Assam and one in Bihar--are to process Assamese oil exploited by the newly formed company Oil India, Ltd, jointly owned by the British Burmah Oil Company and the

Indian Government. A Rumanian offer to construct the Assam refinery, made during the visit of the Rumanian prime minister to India in March 1958, has been accepted, and a Soviet offer to construct the Bihar refinery reportedly is under consideration. Acceptance of these offers would give the bloc a prominent place in India's petroleum industry.

Chemicals and Pharmaceuticals

The USSR is participating indirectly in India's plans for developing its chemical fertilizer industry. About \$34,000,-000 of the Soviet \$126,000,000 line of credit is earmarked for construction of a 250,000-kilowatt power plant to supply a chemical fertilizer complex to be built in Madras. The entire complex will be an important advance in the industrial expansion of South India.

In the field of medicine, the USSR has offered India about \$25,000,000 to help implement its program for expanding the pharmaceutical industry. The loan would be used to cover the foreign exchange costs of two antibiotic and synthetic drug plants.

Other Projects

East Germany recently extended aid to India for the establishment of a raw film manufacturing plant in Madras. The cost of the plant is estimated at \$16,800,000, of which East Germany will probably furnish the foreign exchange component. The completion of this plant will release some \$4,200,000 in foreign exchange now needed to import raw motion picture film for the Indian film industry, the second largest in the world.

Other bloc countries have been involved in various light and consumer industry projects in India. Czechoslovakia and

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Poland have supplied equipment and technical aid for the construction of sugar refineries in Madras, Punjab, and Assam. Czechoslovakia is building a cement plant in Assam and expanding another in Uttar Pradesh, and the USSR is to build an optical glass plant, possibly in Calcutta.

Under trade arrangements providing for short-term commercial credits and other deferred payments, the bloc is participating in the establishment of consumer industries such as textile mills and power facilities for small plants.

Trade

The expansion of trade continues to be an important facet of the bloc's economic offensive in India, and an increasing number of trade and economic delegations are being exchanged. During the First Five-Year Plan, trade with the Sino-Soviet bloc constituted less than 2 percent of India's total annual trade turnover. With the initiation of the Second Five-Year Plan in 1956, imports from the bloc tripled and exports doubled. The increase in imports is

largely accounted for by equipment and materials deliveries under credit arrangements, particularly with the USSR. In 1955 trade with the bloc was valued at about \$51,000,000; in 1956 it increased to \$123,000,000; and by September 1957 it had already reached \$117,000,000. Despite this growth in commerce with the bloc, approximately 95 percent of India's trade remains with the free world.

India's exports to the bloc consist mainly of raw materials and agricultural products, while major imports from the bloc consist of iron and steel products and machinery. India plans to become nearly self-sufficient in iron and steel by 1961. Under the various credit and deferred payment arrangements with bloc countries, it is likely that India's imports of capital goods will increase. Trade with the more industrialized bloc countries--the USSR, Czechoslovakia, Poland, and East Germany--will probably rise, although the importance of the Soviet bloc in India's total trade picture probably will remain relatively unchanged. [] Prepared by 25X1 ORR)

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OIL IN THE PERSIAN GULF AND THE ARABIAN LITTORAL

International oil companies as well as newcomers in the oil business have been actively bidding for offshore concessions in the Persian Gulf--one of the few unleased oil areas in the Middle East. These companies have maintained the established 50/50 profit-splitting formula in their bids, but some newcomers have offered the host country splits as high as 75/25 in its favor. Since clauses in existing agreements call for

renegotiation should any area country receive a more favorable split, a major discovery by a group breaking the established formula would upset the 50/50 split in the area and eventually throughout the world.

Iranian Offshore Area

Except for Kuwait, Iran's offshore areas offer the most promising oil prospects still open in the Persian Gulf. The

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Italian government-controlled oil monopoly ENI has already secured two small offshore concessions there, but the bulk of the area is still to be awarded.

In the bidding which closed on 31 March for District I--the offshore area opposite the productive fields operated by the consortium of Western countries--the Iranian Government had hoped that at least two dozen companies would participate, but only six bids were received. The government is reported to have already turned down the joint bid of Standard Oil Company (New Jersey) and the Shell Oil Company, which offered a substantial bonus in exchange for a concession embodying the conventional profit-sharing arrangement. Four of the remaining bidders are American and are also believed to have preserved the 50/50 formula, perhaps with some innovations. The only other offer came from the Japanese petroleum company Idemitsu.

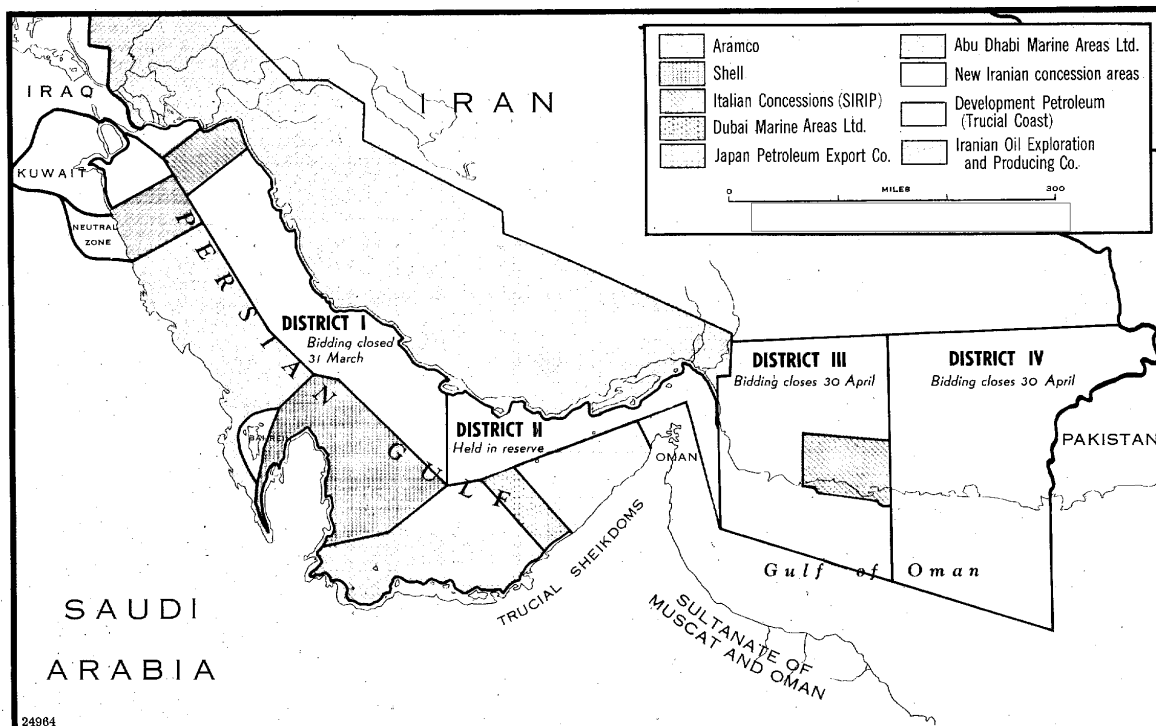
Bids on Districts III and IV, due by 30 April, will

probably not be attractive. Since these areas are relatively unknown as far as oil resources are concerned, Western companies are unlikely to risk substantial capital there in view of the present world oversupply of oil.

Kuwait Offshore Areas

Kuwait has not yet offered its offshore areas for concession, largely because its offshore boundaries with Iraq and Iran have not been defined. Several of the large international oil companies have been interested in these areas, and heavy bidding can be expected when they are opened. Since Iran now has opened its areas opposite Kuwait, offshore Kuwait may be opened after conclusion of a concession agreement for Kuwait's half interest in the Neutral Zone. However, considerable difficulties are likely to ensue because the Ruler of Kuwait may feel under pressure to give the concession to a group offering to depart from the traditional 50/50 profit split.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****24 April 1958****Neutral Zone Offshore**

Kuwait and Saudi Arabia each have a half interest in the offshore as well as onshore Neutral Zone. Since 10 December 1957, when Saudi Arabia signed an agreement giving the Japanese group its undivided half interest in the promising offshore Neutral Zone, Kuwait has been under considerable pressure to grant the Japanese its half interest on the same terms. Because of a myriad of offers which Kuwait has received, it is unlikely that a decision will be made soon.

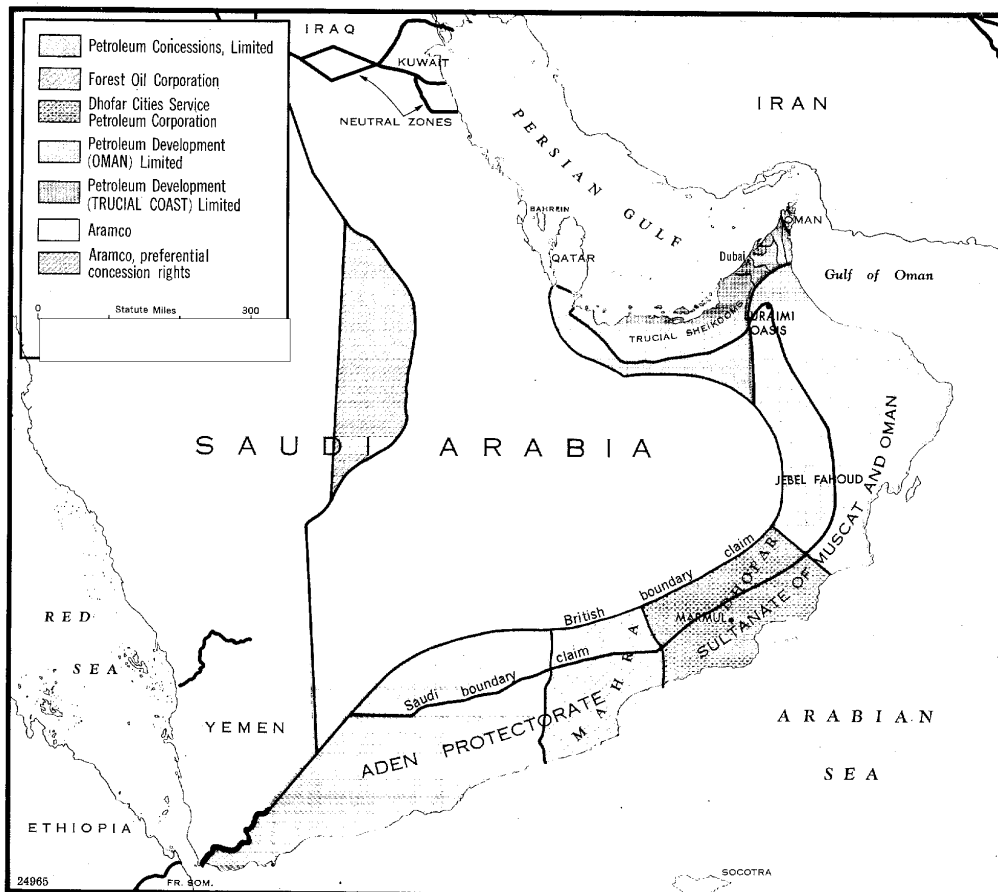
The Saudi-Japanese agreement, considered a personal victory for Sheik Tariki, Saudi Arabia's competent and ambitious director of petroleum affairs, departs from the established 50/50 pattern by giving Saudi Arabia at least 56 percent of

the profits. In addition, it contains other features considered uneconomic and unworkable by established Western companies.

Saudi Arabia

Under the terms of the concession granted the Arabian-American Oil Company (Aramco) by the late King Ibn Saud, the company's offshore rights extend to a median point in the gulf. The only Saudi offshore areas not yet leased are on the unexplored west coast, where no oil activity has taken place.

Saudi Arabia recently settled its offshore boundary with Bahrain and signed an agreement for exploiting the area.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****24 April 1958****Sultanate of Muscat and Oman**

Two groups are carrying on oil activities in the Sultanate of Muscat and Oman. In the Eastern Province, the Iraq Petroleum Company (IPC) holds the concession through its subsidiary, Petroleum Development (Oman) Ltd., and in the western province of Dhofar, the concession is held by the Cities Service Company. Oil in commercial quantities--in terms of Middle East production--has not yet been discovered, but promising wells have been drilled in Dhofar and exploration is continuing.

Cities Service has held the Dhofar concessions since 1953. Seven wells have been drilled in east-central Dhofar, four of which hit producing formations. At the end of 1957, two wells at Marmul each tested at about 2,000 barrels per day. Whether Dhofar will be a significant oil province is still a matter of conjecture. Cities Service, however, is optimistic, and plans are under way to construct a 16- or 20-inch pipeline from Marmul to the coast. Lines of these sizes would be capable of carrying 100,000 to 200,000 barrels daily, respectively.

In the Eastern Province, the IPC explorations have been disappointing. Jebel Fahound, the only well drilled in recent years, was abandoned as a dry hole at 12,000 feet. Present plans call for drilling another well at Gharb, some distance south of Jebel Fahound and further away from the Buraimi Oasis, which is in dispute between Saudi Arabia and the British-backed Sultan of Muscat.

The Trucial Sheikdoms

None of the seven Trucial Sheikdoms produced oil in 1957 and none is expected to produce this year. Up to now most exploratory work in this area has

been in the sheikdom of Abu Dhabi, the largest of the seven. Since 1953, several wells have been drilled by the IPC's Petroleum Development Ltd., but commercial quantities of oil have yet to be found. Prospects are not particularly bright for two wells now being drilled in the sheikdoms of Abu Dhabi and Dubai.

While drilling onshore has been singularly unsuccessful thus far, there is increasing interest in the offshore areas. One of the Persian Gulf's biggest gambles will be undertaken off the Abu Dhabi coast this year by the Abu Dhabi Marine Areas Ltd., British Petroleum, and Cie. Francaise des Petroles. They will drill a well about 20 miles northwest of the island of Das in the center of the widest part of the Persian Gulf.

Aden Protectorate

There is no oil production in the Western Aden Protectorate, although, following the Iranian nationalization crisis of 1951, British Petroleum set up a 120,000-barrel-per-day refinery in place of the nationalized Iranian refinery at Abadan. Fuel oil for ships is the chief product of the Aden refinery, although some gasoline and kerosenes are produced. Exploration activities have thus far been limited, and IPC, which holds the concession through its subsidiary Petroleum Concessions Ltd., apparently has no firm drilling plans.

In the Eastern Protectorate there are conflicting concession claims. The Forest Oil Corporation, an American group, secured a concession from the Sultan of Socotra and Mahra in late 1955 for the Mahra area which borders Dhofar but, because of legal complications--IPC claims the same area under an earlier agreement--the company has not begun active exploration. 25X1

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ITALIAN LABOR DEVELOPMENTS

Results of recent shop steward elections, particularly those on 2 April at the FIAT motor vehicle plant in Turin, point up the trend in Italian labor which again favors the Communist-dominated Italian General Labor Confederation (CGIL).

CGIL Recovery Indicated

Until recently the CGIL had apparently been unable to stem an annual loss of 200,000 members which began in 1952 when membership was 4,000,000. None of the other unions has successfully exploited this situation, however. In the last half of 1957, the CGIL won approximately 55 percent of stewardships, compared with 46 percent in the first half of the year. While it has yet to approach its high of 72 percent in 1953, it has continued to make gains this year, receiving in the FIAT plant 25.3 percent, a 4.2-percent increase over last year.

This partial recovery is a product of many factors, such as increased financial support from the Communist party, management's intransigence regarding labor demands, the incompetence of some democratic unions in local situations, and the tendency of the democratic labor organizations to accentuate their differences in an election year. The favorable trend has continued despite the death of the CGIL's widely popular secretary general, Di Vittorio, and his replacement in December 1957 by Agostino Novella, a strict party man.

The CGIL, nevertheless, still faces a potentially dangerous internal problem which may even overshadow its recruitment difficulties. Differences between its dominant Communist wing and its restive Nenni Socialist minority are still un-

resolved. Di Vittorio had compromised these differences by meeting the Nenni Socialist threat to pull out in protest against Communist domination with an announcement that the CGIL would forthwith pursue its own policies independent of political parties.

Under Novella, who may put the party before the labor organization, the CGIL may again be threatened with a split brought about by new efforts on the part of the Nenni Socialists to increase their influence. Although the Communists have given them a sop in the appoint-



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ment of their chief labor representative, Fernando Santi, to the newly created post of deputy secretary general, their quiescent attitude since last December is largely an effort to avoid difficulties during the period preceding the 25 May national elections and will probably be abandoned this summer, particularly if they make a good showing in the elections.

Management's Role

The decrease in trade union effectiveness--particularly as reflected in the Communist confederation's loss of

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membership--has tended to make management increasingly uncompromising in its dealing with labor. The decline in American offshore procurement contracts has weakened management's incentive to give preference to the democratic unions over the Communist unions. Management has also inspired the organization of a "captive" union in the important FIAT plant and may extend this pattern further.

In addition, management fears that the expected withdrawal of government-controlled firms from the national association of industrialists (Confindustria) will, in these enterprises, result in gains for workers which the private industrialists may have to match.

The Catholic Unions

The Christian Democratic - oriented Confederation of Ital-



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ian Workers' Syndicates (CISL), which has an estimated membership of 1,500,000, has been the most seriously hurt by management's new tactics. Its forces at the FIAT plant, for example, were split in March as a result of management's efforts to influence the shop steward elections. CISL Secretary General Giulio Pastore expelled the leader of the CISL promanage-

ment faction, who formed a company-inspired Free Democratic Workers' Union. Although Pastore's intention was to demonstrate his defense of the workers' interests against management interference, his action may backfire by causing a serious split within CISL. In the steward elections at FIAT on 2 April, the management union won 31.3 percent of the vote and the CISL vote dropped to only 12.8 percent--5.8 percent below its showing in 1957.

The split may be extended to other industrial plants if the Free Democratic Workers' Union follows through on its reported plans to expand. The situation may further benefit the Communist-dominated CGIL, which now claims that CISL successes in the past resulted from management pressure.

Other Non-Communist Unions

The Democratic Socialist - oriented Union of Italian Labor (UIL) appears, like CISL, to be at a standstill. It has not been able to expand its total of about 300,000 members or make its influence felt. At its third national congress in February, Secretary General Italo Viglianesi, an opponent of Democratic Socialist party leader Giuseppe Saragat, was able virtually to eliminate Saragat's influence from the union's governing bodies, and Viglianesi now may use the UIL to strengthen Saragat's opponents in the party. Such preoccupation with internal party politics increases the likelihood that some UIL members will seek another agent for their economic interests.

The neofascist Italian Confederation of National Workers' Syndicates (CISNAL) has made minute gains for several years, but still receives less than 2 percent of the votes in shop steward elections and its membership is estimated to be

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only about 50,000. Prospects for CISNAL do not seem bright unless a future deterioration of the economic situation causes a polarization toward the extremes, benefiting both it and, to some extent, CGIL.

Prospects

In addition to the internal difficulties of the non-Communist confederations, the

growth of a strong democratic labor movement has been further hindered by the issue of anti-clericalism, which has kept the democratic unions separated. Until these varied divisive factors are overcome and Italian labor is offered a strong non-Communist defender of its economic interests, CGIL appears to have a good chance of maintaining its dominant position.

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ANNEX

SINO-SOVIET BLOC ACTIVITY IN LATIN AMERICA

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1. General Bloc Policy:

The Sino-Soviet bloc's major objective in Latin America is to weaken the traditional political, economic, and cultural influence of the United States and thus create an area of potential vulnerability in the American "strategic rear." Bloc leaders regard Latin America as a "semicolonial" region similar to most Asian-African countries, but also as an "appendage" of the United States where bold, large-scale bloc moves might prove counterproductive by arousing Latin American apprehensions and prompting American retaliation. For these reasons, and apparently because it feels there are more profitable targets in other areas, the bloc leadership has been reluctant to allocate to Latin America any substantial proportion of the bloc's total political, economic, and propaganda resources devoted to foreign penetration activities.

2. Communist efforts, including both direct Sino-Soviet bloc programs and local Communist and front activities, are at present most evident in Argentina, Brazil, Chile, and Uruguay in the far south and Mexico in Middle America. In these countries national foreign policy tends to be relatively independent and, except for Mexico, economic difficulties involving sale of surplus products and foreign exchange shortages are especially severe. Moscow is pursuing a strategy designed to stimulate demands in Latin American countries for closer economic and political relations with the bloc and to exploit situations embarrassing to the United States. Direct bloc efforts

are largely focused on cultural exchanges, bilateral commerce, trade offers, and hints of economic assistance.

3. At the present time many Latin American Communist parties are publicly supporting domestic governmental policies. On foreign issues, the Communists, working through both party and local front organizations of various types, conduct agitation to arouse latent "Yankeeophobia" during critical situations and to encourage a favorable reception for bloc diplomatic, economic, and cultural overtures. International Communist organizations are also active in Latin America, particularly in labor, professional, and youth activities.

4. Diplomatic Activity:

Present Sino-Soviet bloc representation in Latin America includes 18 diplomatic or consular missions accredited to six different countries. Argentina has the largest bloc representation, with diplomatic missions from the USSR and five Eastern European states. In Brazil, bloc representation is limited to Poland and Czechoslovakia. The USSR and two of the Eastern European states maintain missions in Uruguay, and Czechoslovakia has a legation in Bolivia. In Mexico, the USSR and two Eastern European states are represented, and Czechoslovakia has a consulate in Colombia. There are approximately 380 bloc officials in Latin America; more than one half of these are attached to the Communist missions in Argentina.

5. Two new bloc missions were opened in Latin America during the last half of 1957: a Rumanian Legation in Uruguay and a consulate--Poland's third--in Brazil. These advances were offset by the closure during

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1957 of the Czech legations in Peru and Ecuador on grounds of interference in internal affairs.

6. Bloc governments are pushing aggressively for wider diplomatic as well as commercial relations, and the bloc leadership has made gestures encouraging such ties. Khrushchev, in interviews with Brazilian and Mexican journalists in November and February, respectively, publicized Moscow's interest in closer political and economic relations with Latin America; the Brazilian and Mexican governments have thus far not responded.

7. Economic Activities: Sino-Soviet bloc trade with Latin America during 1957 totaled approximately \$200,000,000, a decline of about 17 percent from 1956. In terms of Latin America's total foreign commerce, trade with the bloc is generally insignificant, and in 1957 accounted for slightly less than 3 percent of total exports and about 1 percent of total imports. Sales to bloc countries largely comprised bulk commodities, while imports included industrial and agricultural machinery, transportation equipment, fuels, and some consumer durable goods.

8. About 70 percent of Latin American commerce with the bloc last year was conducted by Argentina, Brazil, and Uruguay, with Cuban sugar sales comprising most of the remainder. The sharp drop in Argentina's trade with bloc countries--from \$102,000,000 in 1956 to approximately \$45,000,000 in 1957--largely accounted for last year's decrease in Latin America's transactions with bloc countries. Brazilian trade with the bloc declined slightly in 1957 to an estimated \$80,000,000, while Uruguayan trade with the bloc also decreased somewhat, to about \$15,000,000. The value of Cuban sugar sales to bloc purchasers tripled in 1957

to approximately \$54,000,000 or 7 percent of Cuba's sugar exports.

9. Bloc offers to increase trade and hints of economic assistance to Latin America have to date followed the concentration of Communist trade with Argentina, Brazil, and Uruguay. While rumors of credits totaling up to one billion dollars, primarily for Brazil, have helped create demands for expanded relations with the bloc, official Soviet spokesmen have avoided specific offers of credits, and no bloc grants or credits for economic development were actually received by Latin American countries in 1957. Bloc trade promotion, including negotiation of agreements, staging of commercial exhibits, and publicizing the advantages of commerce with bloc countries, is conducted by resident Communist mission personnel, assisted in 1957 by seven visiting bloc trade missions. Except for some 70 technicians working in Argentina to service industrial equipment purchased from the bloc, relatively few bloc technicians were active in Latin America last year.

10. Cultural and Propaganda Activity: Latin American travel to Sino-Soviet bloc countries, which totaled 670 persons in 1955 and dropped slightly in 1956, increased sharply in 1957, when over 1,400 Latin Americans visited the bloc. While the visitors included some professional Communist party workers who underwent clandestine training in the bloc, the bulk of the travelers attended "cultural" events, such as the Moscow Youth Festival, which attracted 940 Latin Americans. The Latin American countries sending the largest numbers of visitors to bloc countries during 1957 were Brazil with some 450; Chile with over 200; Mexico with 170; Argentina with some 160; and Uruguay with almost 100 visitors. Most Latin American visitors to bloc countries during

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1957 were Communists or were sympathetic to Communist causes; however, a number of those attending the Youth Festival--particularly from Brazil and Chile--were not identified with any Communist activity and on their return home openly criticized various aspects of Soviet life. Bloc travel to Latin America during 1957 declined sharply both in the size and frequency of visiting delegations, and involved only 260 bloc nationals, as compared with 657 in 1956.

11. The bloc currently supports friendship and cultural societies and centers in seven Latin American countries. These organizations have approximately 45 active parent bodies and branches, including seven established or reactivated during 1957, and are concentrated in Argentina, Uruguay, Chile, and Mexico. In addition there are approximately 15 Communist-oriented cultural organizations working among Latin Americans of Eastern European origin.

12. Sino-Soviet bloc radio broadcasts directed at Latin American audiences at present total about 100 hours of programs per week, giving Latin America the lowest attention, in terms of Communist radio propaganda, of any major area. Bloc broadcasts to Latin America include 71 hours per week in Spanish, 7 hours in Portuguese, and 21 hours in Eastern European languages. Chinese Communist broadcasts to Latin America, initiated in late 1957, now total 14 hours of Spanish-language programs each week.

13. Subversive Activity: The over-all strength of the Latin American Communist parties, estimated at 200,000 members, appears to be growing. Membership varies greatly from the 80,000-man Argentine Communist party--the fifth largest outside the Communist camp--

and the 30,000- to 40,000-member Brazilian party, to smaller, but influential parties in such countries as Chile and Peru and ineffective Communist elements as in Haiti and Nicaragua. Although illegal in all but five countries--Argentina, Uruguay, Colombia, Ecuador, and Mexico--the legal status of the various parties is not an accurate index of their strengths or activities; party and front groups are also relatively free to operate in Brazil, Chile, Bolivia, and Peru. The Communists remain semisubmerged in Cuba and Costa Rica, and are striving to reassert an active role in the national politics of Colombia, Venezuela, and Guatemala where violent or bitterly contested changes of government have recently occurred.

14. International Communist control and support, including financial assistance, of Latin American Communist parties passes through covert channels which have grown with increased trade and travel to the bloc since 1953. An effort is under way to improve coordination among the Latin American Communist parties, apparently as a result of a decision made last fall at Moscow when figures from 18 Latin American parties met with Soviet and Chinese Communist leaders following the Soviet 40th anniversary celebrations. In March representatives of northern Latin American Communist parties met in Mexico

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Although Communist China has apparently failed thus far to contribute "practical aid" to Latin American Communists 25X1
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15. Local Communist strategy throughout Latin America is placing increased emphasis on the "national liberation front" tactic, involving advocacy of socially progressive causes such as economic development, national economic independence, labor unity and freedom, and agrarian reform. In this process, the creation, infiltration, and control of nonpolitical front organizations are of primary importance; particular targets include writers, journalists, and other professionals and intellectuals, youths' and womens' organizations, as well as political and labor movements.

16. As a result of developments generally favorable to Latin American Communists during 1957--the Soviet sputniks, Latin American economic difficulties, and preparations for elections in some countries--overt Communist political activity has increased. In the political field the Communists are re-emphasizing the "united-front" alliance, formed with one or more of the non-Communist political parties for election purposes, but in which the Communists are usually not accepted publicly as partners. The Communists tend to benefit from their support of leading nationalist political leaders, even if unsolicited, since achievement of popular goals generally suits Communist requirements in their present phase of development or can be easily turned to Communist purposes.

17. By generally exaggerating nationalist objectives and establishing an unrealistic timetable for fulfilling legitimate aspirations, the Communists can arouse and play on anti-US feeling with the applause or toleration of a substantial part of the population. Although Moscow has generally encouraged collaboration with socialist parties, socialist weakness or unwilling-

ness in some countries to work with the Communists have caused the Communists to seek to influence leftist and nationalist parties, particularly as they are the chief instruments of change and often the center of anti-US sentiment.

18. The major recent Communist success with the united-front tactic has been in Venezuela, where the Communists are participating in the four-party patriotic Front. The front, which was organized clandestinely in the summer of 1957 and played a major role in overthrowing the Perez dictatorship in January, appears to be the principal civilian body with which the governing military junta is coordinating its policies during the current transitional period. The Communist gain in prestige through membership in the front may lead to legal status which, if obtained, could secure for the Communists some representation in the Congress scheduled for election in 1959.

19. The Brazilian Communist party is seeking to regain its pre-1947 legal status through a facade of "amiable nationalism," and is promoting immediate Soviet objectives with a sustained propaganda campaign against the United States and in favor of diplomatic and trade relations with the USSR. A number of Brazilian Communist leaders who were underground for a decade have recently been surfaced and have declared their intention to work openly in politics. In Argentina, the Communist party openly endorsed the victorious presidential candidate in February 1958 election, although he denies any obligation and claims their support was unsolicited. Argentine Communists are trying to exploit labor dissatisfaction in a bid to expand their position in the labor movement. In Chile, the Communists have attacked the US-sponsored monetary stabilization

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program, but, despite their strong position in the labor movement and close ties with opposition parties, are apparently avoiding extreme actions which might alienate the administration and jeopardize their prospects for attaining legal status. The Communists in Uruguay have also achieved substantial gains in the labor movement; in Mexico and Cuba they have remained a comparative insignificant political factor despite sizable Communist movements.

20. Latin American Reaction to Bloc Activities: The major Latin American countries are apparently observing the responses of their neighbors and of the United States to recent Sino-Soviet bloc activities before deciding whether increased ties with the bloc would be useful, either in opening new trade channels and sources of capital and heavy equipment or in obtaining additional American economic assistance. Although the governments of most of the larger Latin American countries--especially Brazil, Chile, Colombia, and Mexico--as well as almost all the smaller states, are wary of becoming deeply involved in bilateral trade arrangements with the bloc, particularly the USSR, falling prices and glutted markets for major Latin American agricultural and mineral exports have stimulated renewed interest in bloc markets. The spot transactions recently concluded by Chile and Colombia with Moscow, involving sale of surplus products, are being watched closely by Brazil and Mexico, as are possible new contracts arising from the recent special Argentine trade mission to the bloc and intensified Soviet pressure on Uruguay to increase its purchases from the bloc.

21. Popular Latin American response to bloc overtures has been most intense in

Brazil, where a number of prominent political figures, trade associations, and nationalist groups have brought extreme pressure on the government to renew both diplomatic and official trade relations with the USSR. This popular response has been spurred by reports that Poland has offered large credits for economic development, and by apparently unsubstantiated rumors that Moscow is eager to buy surplus coffee and to provide large quantities of equipment on credit. Considerable political agitation has also occurred in Panama, where the assistant foreign minister and a number of national deputies are advocating ties with the USSR in an apparent effort to embarrass the Panamanian President and to gain economic concessions from the United States.

22. The Outlook: Short of a marked change on the part of Latin American countries toward their relationships with the bloc, Moscow will probably continue its unwillingness to offer substantial credits or economic aid to Latin America. However, the bloc leadership may be expected to exploit any situations which would cause difficulties for the United States, particularly those arising from Latin American economic vulnerabilities, and to focus bloc propaganda and local Communist party and front agitation on incidents which reflect unfavorably on the United States.

23. The prospects for bloc economic inroads depend to a great extent on the ability of the various Latin American countries to dispose of their surplus commodities: Brazilian and Colombian coffee; Chilean copper; Peruvian and Mexican cotton, lead, and zinc; Bolivian tin; Uruguayan wool; and Argentine wheat. In Argentina and Brazil, related foreign exchange problems are

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accentuated by the continuing need for large imports of crude oil and of equipment for their national monopolies to develop oil resources. As a result of such difficulties, bloc overtures have added to Latin American interest in the potential of bloc countries as trading partners, and have raised hopes, especially among extremely nationalistic elements, that the bloc will provide a source of capital for economic development. Most Latin American governments admit privately that formal trade ties with the USSR and other Communist countries would lead eventually to diplomatic relations. The prospects of closer political relations between Latin American and Communist states depend, therefore, to a large extent on the experiences of those countries now conducting the bulk of Latin American trade with the bloc.

24. Moscow's success in the near future in moving

toward its general policy objectives in Latin America depends not only on economic conditions in Latin America, but also on the outcome of local Communist efforts to form and control political coalitions with nationalist and labor elements, through which they may be able to exert direct influence on government policies. With Latin American labor movements remaining the primary target of Communist efforts, the widespread economic difficulties throughout the area have generally improved the opportunities and prospects for the Communists in the labor field. It can be expected that in some countries--such as Argentina, Brazil, Uruguay, Peru and Colombia--where the objectives of aggressive labor movements coincide with Communist political goals, the Communists will continue the tactic of seeking to encourage and control an increased tempo of strikes and labor protests.

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